

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

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FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 9288

INFO AMEMBASSY MOSCOW

AMEMBASSY OTTAWA

AMEMBASSY WARSAW

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

LIMITED OFFICIAL USE HELSINKI 2306

E.O. 11652: N/A

TAGS: EEWT, ECON, FI

SUBJECT: FINLAND LOSES KWIDZYN PROJECT TO CANADA

REF: HELSINKI 2024 (NOTAL)

1. BEGIN UNCLASSIFIED. FINNISH PRESS REPORTS THAT THE CONSTRUCTION CONTRACT FOR THE HUGE KWIDZYN WOOD PROCESSING PLANT IN POLAND HAS BEEN LOST BY FINLAND TO CANADA. UPON COMPLETION, THE KWIDZYN PLANT WILL PRODUCE ABOUT 250,000 TONS OF PAPER AND CARDBOARD ANNUALLY, MAKING IT THE LARGEST WOOD PROCESSING PLANT IN EUROPE. THE TOTAL CONSTRUCTION COSTS OF THE PROJECT WILL AMOUNT TO ABOUT 700 MILLION DOLLARS. ACCORDING TO THE CONTRACT CONCLUDED WITH H.S. SIMONS LTD, CANADA WILL BEGIN DELIVERY OF 150 MILLION DOLLARS OF MACHINERY AND EQUIPMENT. SINCE THE PLANNING WORK WAS GIVEN TO CANADA, IT WEAKENS THE LIMITED OFFICIAL USE

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LIKELIHOOD THAT FINNISH COMPANIES WILL GET CONTRACTS

FOR BULK OF MACHINERY AND EQUIPMENT.

2. FINLAND'S COMPETITIVE POSITION HAS BEEN ERODED BY DOMESTIC INFLATION WHICH HAS BEEN IN RECENT MONTHS ABOUT TWICE THE OECD AVERAGE INFLATION RATE. ALSO, FINLAND'S ABILITY TO EXTEND EXPORT CREDIT FOR THE KWIDZYN PROJECT IS LIMITED. POLAND EXPECTED FINLAND TO PROVIDE EXPORT CREDITS TOTALING AT LEAST 200 MILLION DOLLARS. FINLAND WOULD HAVE HAD TO FINANCE THIS CREDIT WITH FOREIGN LOANS. THE HELSINGIN SANOMAT IN AN EDITORIAL REPORTED THAT LONG-TERM EXPORT CREDIT OFFERED BY CANADA WAS THE MAIN REASON WHY FINLAND LOST THE CONSTRUCTION CONTRACT. ACCORDING TO PRESS REPORTS, THE EXPORT DEVELOPMENT CORPORATION OF CANADA HAS OFFERED TO SUPPLY THE POLES 500 MILLION CANADIAN DOLLARS FOR THE PURCHASE OF MACHINERY AND EQUIPMENT. THE FINNS CONSIDER THIS THE MAIN ADVANTAGE CANADA HAS OVER FINNISH BIDS.

3. BEGIN LIMITED OFFICIAL USE: POLISH DIPLOMAT IN HELSINKI TOLD EMBOFF THAT POLAND WAS GIVING THE OVERALL CONTACT FOR ENGINEERING SERVICES TO THE CANADIANS BECAUSE OF PRICE. POLISH DIPLOMAT SAID THAT THE FINNISH BIDS WERE BETWEEN 30 TO 100 PERCENT HIGHER FOR VARIOUS PARTS OF THE PROJECT. THE POLES INSIST THAT FINLAND LOST THE CONTRACT BECAUSE OF UNCOMPETITIVE PRICES, WHEREAS SOME FINNISH OFFICIALS SAY THAT THE LOST CONTRACT IS DUE TO CANADA'S LONG-TERM CREDIT ARRANGEMENTS.

4. CANADIAN DIPLOMAT IN HELSINKI TOLD EMBOFF THAT H.A. SIMONS LTD WON ONLY CONTRACT FOR ENGINEERING SERVICES. THIS OPENS THE DOOR FOR CANADIAN FIRMS TO DELIVER AS MUCH AS 450 MILLION DOLLARS WORTH OF EQUIPMENT. HOWEVER NON-CANADIAN SUPPLIERS ARE IN NO WAY EXCLUDED FROM GAINING CONTACTS TO DELIVER WOOD-PROCESSING EQUIPMENT TO KWIDZYN PROJECT.

5. FINNISH COMMERCIAL BANKER TOLD EMBOFF OCT 23 THAT HE HAPPY CONTRACT WENT TO CANADA. WITH BANK OF FINLAND LIMITED OFFICIAL USE

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FORCING CUTBACK IN CREDIT, AND CAPITAL MARKET STRAINED TO MEET CREDIT DEMANDS FOR LARGE PROJECTS IN FINLAND SUCH AS METSABATHNIA WOODPROCESSING COMPLEX AND OLKILUOTO ATOMIC POWER PLANT, HE DID NOT RELISH BEING CALLED UPON TO PROVIDE CREDIT FOR FINNS TO BUILD LARGE PROJECT IN POLAND.
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Disposition Approved on Date:
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Disposition Date: 28 MAY 2004
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Margaret P. Grafeld
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